# Portuguese public sector workers strike

**Jordan Shilton**
**14 November 2013**

Thousands of workers at hospitals, schools, municipal services and public transport facilities across Portugal took part in a 24-hour strike last Friday to protest the government's 2014 draft budget.

The budget includes spending cuts of €3.9 billion.

The strike follows a series of protests since the budget was presented to parliament on October 15 by the right-wing coalition government of the Social Democratic Party (PSD) and Popular Party (CDSPP).

Organised by the main trade union association, the General Confederation of Portuguese Workers (CGTP), which is closely aligned to the Communist Party (PCP), the strike received the support of 70 percent of the workforce. It came in the midst of a week-long limited strike by ferry workers in Lisbon, which resulted in the cancellation of some services, and strikes by bus and rail workers.

The budget, which will be finalised in parliament on November 26, will implement some of the most severe cuts to date as part of Lisbon's bailout deal with the troika of the European Union (EU) commission, European Central Bank (ECB) and International Monetary Fund (IMF). The measures include public sector wage cuts of up to 12 percent, a reduction of the public sector workforce by 2 percent, pension cuts, and an increase in the working week for public sector workers from 35 to 40 hours.

The public sector has been targeted by successive governments for destruction. Estimates put the number of public sector job losses since 2005 at 173,000, in a country of just 10 million. On Friday, workers carried banners with slogans such as “Against the destruction of state services.”

Along with the undermining of public services, the austerity drive has aimed to carry out fundamental changes to the labour market to slash costs and increase flexibility. Reforms already implemented have seen redundancy pay for workers reduced by over two-thirds, so that instead of receiving 37 days pay per year worked, only 12 days pay is available. The highest rate of unemployment benefit has been cut, four public holidays have been eliminated, and rates of pay for overtime reduced.

The cuts to unemployment benefit have been coupled with new regulations compelling the jobless to take up training programmes. In this way, 56,000 people have been signed up to such re-training programmes.

Average wages have dropped sharply. This has been achieved not only by government spending cuts, but also by changes to the structure of labour contracts. 2013 was the first year in which there were more company-wide pay arrangements than collective agreements, giving employers more freedom to increase the downward pressure on wages.

Although the bailout programme comes to an end next June, the government intends to stick to strict budgetary measures beyond this. Deputy Prime Minister and CDSPP leader Paulo Portas, who was made responsible for the implementation of the troika programme in the summer in a deal to avert his departure from the coalition, noted recently that Portugal’s public spending was still 30 percent above the EU average, and its tax burden was 20 percent more than the norm. “The main use and reason for the reform of the state is to reduce the tax burden and state bureaucracy,” he said to the *International Business Times*. “Portugal’s spending is excessive if we look at our incomes.”

Portas advocated the adoption of a debt break, which would constitutionally commit future governments to remain within strict spending limits. He pledged together with finance minister Maria Luis Albuquerque that the corporation tax level would be significantly reduced from its current level of 31 percent by 2 to 2.5 percentage points over the next four to five years. Portas explained that the debt break “would be in the national interest of Portugal and give a clear message of confidence to European partners and markets."

The sustained global crisis and the increase in Portuguese state debt produced by the spending cuts are causing concern as to Portugal's ability to exit the bailout next year without further assistance. Last Friday, credit rating firm Moody's altered its outlook on Lisbon's debt from negative to stable. But government debt remains three grades below investment status and interest rates for government bonds have been consistently over 6 percent in recent months. Last Thursday, they dropped slightly below this level when Mario Draghi announced the ECB's decision to cut the base interest rate to the historic low of 0.25 percent.

President Anibal Cavaco Silva is arguing for support to come from the ECB's Outright Monetary Transaction (OMT) programme, which Draghi announced in the summer of 2012 to calm market fears of a breakup of the euro zone. Under OMT, the ECB can buy the debt of a member state to avoid unsustainably high interest rates on the open market.

Politicians in Lisbon are said to be watching for the outcome of Ireland's negotiations with the EU over possible post-bailout assistance that they could follow.

Some in government have welcomed the additional pressure of the markets, since it will allow even more wide-ranging reforms and spending cuts to be imposed. As Portas put it, "Only some have to live under the pressure of the troika, but everyone lives with the pressure of the markets, and this pressure is much more preferable to me."

Discussions are taking place on the need to do away with all of the limited social concessions made after the Carnation Revolution of 1974, in order to compete globally. A recent article in the German daily *Die Welt* described the crisis in Portugal as "one of missed opportunities and a lack of creative drive."

Since 1974, Portugal had "imported much more than it had exported," and after joining the euro, it had "financed these imports with money which was cheap to borrow." The government had been able to shield the country's citizens and businesses from "the rigours of globalisation."

All this had now changed. As Miguel Poiares Maduro, the government minister for regional development who is responsible for the allocation of EU funding, told the newspaper, "We will change the structures of our economy. We want to be internationally competitive."

The government's social attacks are fully backed by the opposition. Socialist Party (PS) leader Antonio José Seguros responded to the latest protests and strikes by declaring, "I am a man of dialogue. Protest is no solution."

Reiterating his commitment to the bailout, which the previous PS government agreed to before losing power, he stated, "It is a question of honesty to fulfill the obligations that we agreed to with the troika."

There are rising fears of the consequences of the policy of social counterrevolution embraced by the entire political establishment. The Catholic charity Charitas estimated that more than one in five Portuguese are living in poverty and broader layers of the population are being impoverished due to the government's attacks. The organisation is distributing an increased number of food parcels, as even those with a job are often no longer earning enough to make ends meet.

The president of Charitas in Portugal warned in an interview with *Die Welt* that such developments would inevitably produce social and political instability. "The crisis has weakened those who held the country together: the middle class, who have to live from their labour alone," he said.